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March 22, 2019

Ms. Melanie Sandoval
Bureau Chief of Records Management
Public Regulation Commission
1120 Paseo de Peralta, Room 418
Santa Fe, New Mexico 87504-1269

Case No. 18-00383-UT; In the Matter of the Filing of Advice Notice No. 69 by Socorro Electric Cooperative, Inc. (SEC)

Dear Ms. Sandoval:

We enclose for filing the original and six copies each of: (1) Supplemental Direct Testimony of Justin W. Proctor C. H. Guernsey & Company on Behalf of the Socorro Electric Cooperative, Inc.; (2) Supplemental Direct Testimony of Joseph Herrera on Behalf of the Socorro Electric Cooperative, Inc.; (3) Direct Testimony of Ronnita "Rauni" Montoya on Behalf of the Socorro Electric Cooperative, Inc. and (4) SEC's Certificate of Service. We also enclose SEC's original Exhibits 1-4. Due to the volume of exhibits, we are providing a copy on CD.

Kindly forward an endorsed copy of each in the enclosed self-addressed, stamped envelope. Please feel free to contact us should you have any questions. Thank you for your attention to this matter.

Very truly yours,

WIGGINS, WILLIAMS & WIGGINS A Professional Corporation

By

Christie Griego

Paralegal

CAG:me

Enclosures

cc:

Service List

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE FILING)	
OF ADVICE NOTICE NO. 69)	
BY SOCORRO ELECTRIC)	
COOPERATIVE, INC.)	
)	Case No. 18-00383-UT
SOCORRO ELECTRIC)	
COOPERATIVE, INC.,)	
)	
Applicant.)	
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SUPPLEMENTAL DIRECT TESTIMONY

OF

JUSTIN W. PROCTOR C. H. GUERNSEY & COMPANY

ON BEHALF OF

THE SOCORRO ELECTRIC COOPERATIVE, INC.

March 22, 2019 12:00 p.m.

Supplemental Direct Testimony of Justin W. Proctor; Case No. 18-00383-U	Supplemental	Direct T	estimony	of Justin	W. Proctor	: Case No.	18-00383	-UT
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- 1 Q. STATE YOUR NAME FOR THE RECORD PLEASE.
- 2 A. Justin Proctor.
- 3 Q. HAVE YOU PREVIOUSLY SUBMITTED PREPARED TESTIMONY IN
- 4 THIS CASE?
- 5 A. Yes. My prepared testimony was filed on December 3, 2018 in support of The
- 6 Socorro Electric Cooperative, Inc.'s ("SEC") electric utility rates proposed in
- 7 SEC's Advice Notice No. 69, SEC's Rate Application.
- 8 Q. WHAT WAS THE PURPOSE OF THAT TESTIMONY?
- 9 A. My December 3, 2018 prepared testimony addressed the development of SEC's
- adjusted test year revenues and operating expenses and the Cost of Service Study
- 11 (COSS).
- 12 Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?
- 13 A. The purpose of my supplemental testimony is to address the issues identified for
- hearing in the NMPRC's Hearing Examiner's February 15, 2019 Procedural
- Order and to provide additional information regarding the COSS. In addition, I
- introduce the COSS exhibit that has been requested in the Procedural Order.
- 17 Q. ARE YOU SUBMITTING THE COMPLETE COST OF SERVICE STUDY
- 18 YOU PREPARED WITH THIS SUPPLEMENTAL TESTIMONY?

Supplemental	Direct	Testimony	of Justin	W.	Proctor;	Case	No.	18-003	383-U	Ι

1 A. Yes. The Cost of Service Study (COSS) is attached to my testimony and is
2 marked as Exhibit 1.

Q. HAVE YOU MADE ANY MODIFICATIONS TO THE COSS THAT IS ATTACHED AS EXHIBIT A OR IS IT THE SAME AS WHAT WAS

FILED WITH THE PRC PREVIOUSLY?

A. Yes, I have made the following modifications. On Schedule A-2.0 of the COSS, I corrected the reference to the Non-Operating Margins so they reflect what is shown on the Income Statement. This entire schedule is a summary of all of the adjustments made to the test year (TY) revenues and expenses.

I also reformatted Schedule A-6.0 Bad Debt so that the computation is shown in the print area. I removed Schedule A-15.0 which was not an adjustment made to the TY.

On Schedule H-2.1 and H-2.2, I made the following changes: when printing the results of the COS from our COSS model, the output is a combination of all of the pages in Sections H, J, K and L. It is our practice to then separate them into their respective section and label them. When I separated these in order to label them, I inadvertently left in all of the schedules with what I labeled as H-2.1 and H-2.2. So, there were duplicates of other pages labeled as H-2.1 and H-

		Supplemental Direct Testimony of Justin W. Proctor; Case No. 18-00383-UT
1		2.2. I have now corrected that. I also redacted the Account numbers in the Part R
2		Customer Data.
3	Q.	REGARDING YOUR DIRECT TESTIMONY AT PAGE 4, CAN YOU
4		DEFINE THE TERM "OPERATING MARGIN?"
5	A.	Yes. The term "operating margin" means the operating revenue (revenue from
6		energy sales plus other operating revenue) minus the cost directly associated with
7		providing service to member-consumers. Operating margin is the value reported
8		on the SEC Form 7, Line 21.
9	Q.	REGARDING YOUR DIRECT TESTIMONY AT PAGES 5-6, CAN YOU
10		DEFINE THE TERM "CLASS RATE OF RETURN" AND EXPLAIN ITS
11		SIGNIFICANCE?
12	A.	Yes. To understand the term "class rate of return," it is helpful to first understand
13		the term "rate of return." The ROR is the return (operating revenues less
14		operating expenses) divided by the rate base. Rate of return (ROR) is one way to
15		evaluate interclass differentials in margins. A rate class producing a ROR equal to
16		the system average ROR is neither providing nor receiving a rate subsidy from the
17		other rates classes. The existing class rate of return for each rate class is

identified on the Cost Allocation Summary (Schedule H-1.0). The proposed class

		Supplemental Direct Testimony of Justin W. Proctor; Case No. 18-00383-UT
1		rate of return for each rate class is identified on the Cost Allocation Summary
2		(Schedule H-2.0).
3	Q.	PLEASE STATE THE BASE COST OF FUEL AND DEBT THAT SEC
4		PROPOSES TO RECOVER THROUGH ITS PROPOSED RATES.
5	A.	The proposed base cost of fuel that SEC proposes is \$0.083242 per kWh sold.
6		That is reflected on Schedule N-5.0. The proposed base cost of debt that SEC
7		proposes to recover through its proposed rates is \$1,981,432. That is reflected on
8		Schedule N-4.0.
9	Q.	REGARDING SEC'S OBJECTIONS TO RATE PROTESTS AT PAGE 6,
10		PARAGRAPH 13(C), CAN YOU IDENTIFY THE TEN-YEAR
11		FINANCIAL FORECASTS RELIED UPON BY SEC?
12	A.	Yes. SEC relied upon two ten-year financial forecasts; the Base Case and the
13		Alternate Case. The Base Case and Alternate Case are contained in Section E of
14		the COSS. Each case was used for informational purposes. The Base Case driver,
15		as shown on the Ratio Summary, is a 2.50 TIER and exhibits the magnitude of the
16		rate change required to produce the ratio in the forecasted years. The Alternate
17		Case driver, as shown on the Ratio Summary, is a 1.35 TIER and exhibits the
18		magnitude of the rate change required to produce the ratio in forecasted years.

Supplemental	l Direct	Testimony	of Justin	W. Proctor	; Case No.	18-00383-U
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- 1 Q. REGARDING SCHEDULE H-2.0, CAN YOU EXPLAIN HOW INTEREST
- 2 EXPENSE WAS ALLOCATED AMONG THE CLASSES?
- 3 A. Yes. Interest expense is allocated by Total Plant, allocation factor 111, as shown
- on Schedule H-1.2. Allocation Factor 111 is derived on Schedule J-1.0.
- 5 Q. CAN YOU JUSTIFY SEC'S PROPOSAL TO ALLOCATE DIFFERENT
- 6 PERCENTAGE REVENUE INCREASES AMONG THE AFFECTED
- 7 RATE CLASSES AS SHOWN ON SCHEDULE N AS OPPOSED TO
- 8 ALLOCATING THE SAME PERCENTAGE REVENUE INCREASE TO
- 9 **EACH RATE CLASS?**
- 10 A. Yes. SEC's Board of Trustees approved the proposed rate change that reduces the
- 11 existing rate subsidies between the rate classes. The proposed changes produce
- rates that are more equitable for each rate class. Allocating the same percentage
- revenue increase to each rate class will magnify inter-class rate subsidies that
- currently exist, as shown on Schedule H-1.0. The results of the COSS indicate
- certain classes are not paying their "fair" share and are receiving a rate subsidy
- from other rate classes. Those classes that are not paying their fair share are:
- 17 Residential, Irrigation, and Lights. As a result, other rate classes, Large
- 18 Commercial, Small Commercial and Load Management, are paying more than
- their fair share.

Supplemental Direct Testimony of Justin W. Proctor; Case No. 18-00383-UT

A.

If you look at Exhibit 2, you will see the relative rate of return (RROR) for each rate class under the existing and proposed rates. Like the rate of return (ROR), the RROR is used to identify differences in relative revenue for each rate class. A rate class producing a ROR equal to the system average ROR has a RROR of 1.00. The RROR is less than 1.00 when the class ROR is less than the system ROR, and is greater than 1.00 when the class ROR is greater than the system average.

8 Q. CAN YOU JUSTIFY SEC'S PROPOSAL TO ALLOCATE A 10.26%

REVENUE INCREASE TO THE IRRIGATION CLASS COMPARED TO

THE AVERAGE 4.8% INCREASE ACROSS ALL CLASSES?

Yes. The COSS indicates the Irrigation Class has a negative 11.864% rate of return and a \$44,648 operating deficit. The COSS indicates the Irrigation Class should receive an increase of \$53,640 or 89.867% for the rate class to produce a uniform rate of return. The SEC Board of Trustees approved a much lower increase of 10.26%, or \$6,051, to begin gradually reducing the subsidy being provided to the customers within the Irrigation Rate Class by other members of SEC. The proposed rates increase the ROR from negative 11.864% to negative 9.635%. The RROR for the Irrigation Class moves closer to the System RROR of

		Supplemental Direct Testimony of Justin W. Proctor; Case No. 18-00383-UT
1		1.000. It is reduced from negative 2.462 to negative 1.335, as demonstrated on
2		Exhibit 2.
3	Q.	CAN YOU JUSTIFY SEC'S PROPOSAL TO ALLOCTE A 2.66%
4		REVENUE INCREASE TO THE LARGE COMMERCIAL CLASS
5		COMPARED TO THE AVERAGE 4.8% INCREASE ACROSS ALL
6		CLASSES?
7	A.	Yes. The COSS indicates the Large Commercial Class has a rate of return of
8		29.094% and an operating margin of \$1,924,550. The Large Commercial Class
9		produced 469% of the Cooperative's adjusted test year operating margin. For the
10		rate class to produce a uniform rate of return, the COSS indicates the Large
11		Commercial Class should receive a decrease of \$1,672,917 or 17.380%.
12		The proposed rates result in a 32.476% ROR but decreases the RROR for
13		the class from 6.039 to 4.498. Under the proposed rate, the operating margin
14		provided to the class is reduced from 469% to 131%. This moves the RROR
15		closer to the System RROR of 1.000 and reduces the level of rate subsidy
16		provided by this class to other members, as demonstrated on Exhibit 2.
17	Q.	CAN YOU JUSTIFY SEC'S PROPOSAL TO ALLOCATE A 3.35%
18		REVENUE INCREASE TO THE LOAD MANAGEMENT CLASS

Supplemental Direct	t Testimony	of Justin	W. Proctor:	Case No.	18-00383-UT
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1 COMPARED TO THE AVERAGE 4.8% INCREASE ACROSS ALL 2 CLASSES?

A.

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Yes. The COSS indicates the Load Management Class has a rate of return of 31.815% and an operating margin of \$221,435. The Load Management Class, which includes only one customer, produces 54% of the Cooperative's adjusted test year operating margin. The COSS indicates the Load Management Class should receive a decrease of \$195,262 or 16.901% for the rate class to produce a uniform rate of return.

The proposed rates result in a 36.705% ROR but decrease the RROR for the class from 6.603 to 5.084. Under the proposed rate, the operating margin provided to the class is reduced from 54% to 15%. This moves the RROR closer to the System RROR of 1.000 and reduces the level of rate subsidy provided by this class to other members, as demonstrated in Exhibit X 2.

14 Q. REGARDING THE PROPOSED \$5.00 MINIMUM USE CHARGE, CAN 15 YOU EXPLAIN WHAT EXPENSES IT IS DESIGNED TO RECOVER?

Yes. The COSS indicates the monthly SEC customer-related cost component for the Residential rate class is \$43.13. SEC's current System "Customer" Charge is \$15.00, and the proposed System Charge is \$22.75. The proposed \$5.00 minimum-use charge is designed to recover a portion of the customer-related

Supplemental Direct Testimony of Justin W. Proctor; Case No. 18-00383-UT costs, not recovered by the System Charge, from zero and minimum-use customers and reduce the intra-class subsidy that currently exists.

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A.

For the Small Commercial rate class, the COSS indicates the monthly SEC customer-related cost component is \$44.27. SEC's current System Charge is \$25.00 and the proposed System Charge is \$32.50. The proposed \$5.00 minimum-use charge is designed to recover a portion of the customer-related costs not recovered by the System Charge from zero and minimum-use customers and reduce the intra-class subsidy that currently exists.

CAN YOU EXPLAIN WHY SEC DOES NOT PROPOSE TO ASSESS THE Ο. MINIMUM USE CHARGE TO ALL CUSTOMER CLASSES? 10

Yes. The proposed minimum-use charge is intended to increase the fixed cost recovery from zero and minimum-use customers. The Residential and Small Commercial rate classes are the only two rate classes that do not have an additional fixed cost component in the rate design. These rates rely on solely on consumption to recover fixed costs not recovered in the System Charge.

A raised minimum billing mechanism currently exists in several other SEC rates. They include Irrigation Service, Stand-by Service for Self-Generators, Large Commercial Service and Load Management Service.

Supplemental Direct Testimony of Justin W. Proctor; Case No. 18-00383-UT

As to Irrigation Service, Irrigation Service consumers are required to pay an annual minimum of \$100 per year in addition to the energy rate. The current rate is \$10.00 per horsepower (HP). Consumers whose irrigation motors are rated below 8.33 HP are therefore paying an increased minimum.

As to Stand-by Service for Self-Generators, consumers served under the Stand-by Service for Self-Generators tariff are billed an increased minimum bill. The minimum bill is increased in excess of the monthly System Charge by the application of a calculated minimum billing demand equal to 65% of the nameplate rated kVA capacity of the customer equipment; if applicable.

As to Large Commercial Service, consumers served under the Large Commercial Service tariff are billed an increased minimum bill. The minimum bill is increased in excess of the monthly System Charge by the application of a calculated \$1.20 per kVA of installed transformer capacity; if applicable. In instances where loads fluctuate or are intermittent, a calculated minimum billing demand equal to 65% of the nameplate rated kVA capacity of the customer equipment may be assessed.

As to Load Management Service, consumers served under the Load Management Service tariff are billed an increased minimum bill. The minimum bill is increased in excess of the monthly System Charge by the application of a

		Supplemental Direct Testimony of Justin W. Proctor; Case No. 18-00383-UT
1		billing demand of 1 megawatt even if there is no metered demand during the
2		billing cycle.
3	Q.	FOR EACH AFFECTED RATE CLASS, WHAT IS THE MONTHLY USE
4		REQUIRED TO SUPPORT DISTRIBUTION AND BILLING RELATED
5		COSTS BELOW WHICH THE MINIMUM CHARGE APPLIES?
6	A.	The monthly kWh consumption required under the proposed Residential and
7		Small Commercial rates before the additional minimum charge is not billed is:
8		Rate Class <u>kWh</u>
9		Residential 40
10		Residential ETS 37
11		I note that Residential ETS is an On- and Off-Peak Rate. Estimated kWhs
12		are a ratio of the rate's On- and Off-Peak kWh to the total kWh sold.
13		Small Commercial 38
14	Q.	FOR EACH AFFECTED RATE CLASS, CAN YOU EXPLAIN HOW SEC
15		SELECTED THE MONTHLY USE REQUIRED TO SUPPORT
16		DISTRIBUTION AND BILLING RELATED COSTS?
17	A.	Yes. SEC did not select a monthly kWh usage level for the determination of the
18		Minimum Use Charge. Rather, SEC selected the proposed \$5.00 charge to recover

		Supplemental Direct Testimony of Justin W. Proctor; Case No. 18-00383-UT
1		a portion of the customer-related costs, not recovered by the System Charge, from
2		zero and minimum-use customers.
3	Q.	FOR EACH AFFECTED RATE CLASS, WHAT EVIDENCE DO YOU
4		HAVE THAT THE COSTS PROPOSED TO BE RECOVERED THROUGH
5		THE MINIMUM USE CHARGE ARE NOT COLLECTED THROUGH
6		THE SYSTEM CHARGE?
7	A.	Schedule M-1.0 depicts the customer-related (Total Customer) and capacity-
8		related (System Demand) related costs. The Total Customer cost for every rate
9		class exceeds the current and proposed monthly System Charges in the rate
10		designs; including those rates with the \$5.00 Minimum Use Charge.
11	Q.	CAN YOU JUSTIFY SEC'S CHARGING OF DECLINING BLOCK
12		ENERGY RATES FOR THE LARGE POWER SERVICE CLASS IN
13		LIGHT OF THE COMMISSION'S POLICY FAVORING INCLINING
14		BLOCK RATES TO PROMOTE CONSERVATION?
15	A.	Yes. The Large Power Service Class (Large Commercial) rate is not a declining
16		block rate. It is an hours-use rate design. The hours-use rate is a means of moving
17		toward a four-part rate without multiple demand charges. This rate design

recovers the purchased power capacity-related costs in the energy blocks based on

the monthly Non-Coincident Peak (NCP) kilowatt (kW) demand. With the

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Supplemental Direct Testimony of Justin W. Proctor; Case No. 18-00383-UT wholesale demand component embedded in the hours-use energy blocks, the cost recovery is based on load factor. The NCP kW Demand Charge recovers SEC's distribution demand-related costs. The assumption is that members with higher load factors are more likely to be operating at times of the purchased power peaks. Since the rate embeds demand within the kWh blocks, members reaching the bottom block are paying a higher equivalent NCP kW Demand Charge. The rate design does not impose a higher NCP kW Demand Charge on members with poor load factors.

Q.

The primary reason for modifying the rate structure is to more closely align the cost recovery from consumers with their cost causation taking into consideration load factor. It does not provide a pricing signal that encourages consumption.

Per 17.7.2.16, SEC files an annual report which shows SEC's yearly efforts to promote energy efficiency and conservation. These efforts include, but are not limited to, monthly member newsletters, direct mailings, internet, advertising and other member communications, along with free energy audits, and rebates for energy efficient appliances and LED lighting.

CAN YOU EXPLAIN WHY SEC DOES NOT CHARGE INCLINING
BLOCK ENERGY RATES IN LIGHT OF THE COMMISSION'S POLICY

Supplemental Direct Testimony	of Justin	W. Proctor:	Case No.	18-00383-U	J
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FAVORING INCLINING BLOCK RATES TO PROMOTE

2		CONSERVATION?
3	A.	Yes. SEC does not charge an inclining block rate in its current rate designs
4		because the proposed rate changes are focused primarily on increasing the
5		recovery of SEC's fixed costs in its fixed charges. Also, SEC's power supplier,
6		Tri-State Generation and Transmission, does not provide a pricing signal in its
7		wholesale rate design which promotes an inclining energy block rate.
8		As I state earlier in my prepared testimony, SEC promotes energy
9		efficiency and conservation through, for example, its monthly member
0		newsletters, direct mail, internet, advertising and other member communications
11		and energy audits.
12	Q.	CAN YOU JUSTIFY SEC'S PROPOSAL TO INCREASE THE SYSTEM
13		CHARGE FOR THE RESIDENTIAL SERVICE CLASS FROM \$15.00 TO
14		\$22.75 PER MONTH AS OPPOSED TO RECOVERING MORE

GRADUALISM CONSTRAINTS?"

REVENUES THROUGH SEC'S VARIABLE ENERGY CHARGE IN

LIGHT OF "THE COMMISSION'S CONSISTENT AND REPEATED

REJECTION OF SIZABLE INCREASES IN THE RESIDENTIAL

SERVICE AVAILABILITY CHARGE AND APPLICATION OF

Supplemental Direct Testimony of J	lustin W. Procto	r: Case No.	18-00383	-UT
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- 1 Yes. In keeping with the application of gradualism, SEC's Board of Trustees A. 2 approved rate designs which move towards cost-based rates while minimizing 3 customer impact. The COSS indicates the monthly SEC customer cost of 4 providing electric service to a customer in the Residential Class is \$43.13 per 5 month. These customer costs are incurred regardless of consumption. SEC's proposal to increase the System Charge for the Residential Service Class is 6 7 merely intended to more closely recover the cost of providing service as those 8 costs are incurred.
- 9 Q. FOR EACH AFFECTED RATE CLASS, CAN YOU EXPLAIN HOW AND
 10 WHY SEC DERIVED THE PROPOSED CHARGES WITHIN THE
 11 CLASS? FOR EXAMPLE, FOR THE RESIDENTIAL SERVICE CLASS,
 12 HOW AND WHY DID SEC DERIVE THE LEVEL OF THE PROPOSED
 13 SYSTEM, ENERGY AND MINIMUM USE CHARGES?
- 14 A. Yes.

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Starting with the Residential Service Class, the COSS identifies the unbundled cost components as shown on Schedule M-1.0. In keeping with the application of gradualism, SEC's Board of Trustees approved rate designs which move towards cost-based rates while minimizing customer impact.

Supplemental Direct Testimony of Justin W. Proctor; Case No. 18-00383-UT

For customer-related costs, SEC increased the System Charge from \$15.00 to \$22.75 to move more of its fixed cost recovery into a fixed monthly billing component. SEC kept the System Charge well below the actual monthly cost of providing service to minimize rate impact on all customers. The addition of the proposed Minimum Use Charge of \$5.00 is designed to recover a portion of the customer-related costs, not currently recovered by the System Charge, from zero and minimum-use customers and reduce the intra-class subsidy that currently exists between the aforementioned and high-use customers.

The Residential Service Class does not have a Demand Charge for the recovery of capacity-related costs. Therefore, the recovery of said costs relies on the sale of energy. The kWh Charge, includes purchased power capacity, energy and the remaining portion of the SEC fixed costs, and was set to produce the revenue targeted in the rate change.

Next, for SEC's Small Commercial Class, the COSS identifies the unbundled cost components as shown on Schedule M-1.0. In keeping with the application of gradualism, SEC's Board of Trustees approved rate designs which move towards cost-based rates while minimizing customer impact.

For customer-related costs, SEC increased the System Charge from \$25.00 to \$32.50 to move more of its fixed cost recovery into a fixed monthly billing

Supplemental Direct Testimony of Justin W. Proctor; Case No. 18-00383-UT component. SEC kept the System Charge well below the actual monthly cost of providing service to minimize rate impact on all customers. The addition of the proposed Minimum Use Charge of \$5.00 is designed to recover a portion of the customer-related costs, not currently recovered by the System Charge, from zero and minimum-use customers and reduce the intra-class subsidy that currently exists between the aforementioned and the high-use customers.

The Small Commercial Class does not have a Demand Charge for the recovery of capacity-related costs. Therefore, the recovery of said costs relies on the sale of energy. The kWh Charge, includes purchased power capacity, energy and the remaining portion of the SEC fixed costs, and was set to produce the revenue targeted in the rate change.

For SEC's Large Commercial Class, the COSS identifies the unbundled cost components as shown on Schedule M-1.0.

The existing Large Commercial rate is a three-part rate with a System Charge, Demand Charge per billing kW and Energy Charge per kWh. The existing System Charge is well below the actual cost of service. The existing Demand Charge is also well below the cost of service capacity related costs. As a result, the costs not recovered in the fixed billing components are recovered through the variable Energy Charge.

Supplemental Direct Testimony of Justin W. Proctor; Case No. 18-00383-UT

The proposed rate design for the Large Commercial Class is intended to recover purchased power capacity-related costs in the hours-use energy blocks base on load factor. SEC's distribution demand costs are recovered in the monthly NCP kW Charge. The \$8.50 monthly Demand Charge per billing kW is in excess of the actual \$6.36 per NCP kW distribution wires cost. The Energy Charge was set to produce the revenue targeted in the rate change.

The primary reason for modifying the rate structure is to more closely align the cost recovery from consumers with their cost causation. Low load factors consumers tend to have a lower coincidence factor and may be negatively impacted by high NCP demand charges intended to recover both purchased power cost and distribution wires costs. High load factor consumers may also be negatively impacted when the variable Energy Charge is intended to recover fixed costs such as purchased power capacity and distribution capacity. The hours-use rate design reduces the rate impact for both low and high load factor customers and provides an appropriate cost recover based on load factor.

For SEC's Irrigation Class, the COSS identifies the unbundled cost components as shown on Schedule M-1.0. The COSS indicates the monthly customer-related fixed cost is \$55.23. In keeping with the application of gradualism, SEC's Board of Trustees approved rate designs which move towards

Supplemental Direct Testimony of Justin W. Proctor; Case No. 18-00383-UT cost-based rates while minimizing customer impact, therefore SEC is introducing a modest System Charge to recover a portion of the customer-related costs.

SEC is proposing to transition from a large, Horsepower Charge, charged once annually in the current rate structure, to a small monthly Horsepower Charge billed monthly. The purchased power capacity component and distribution wires component identified on Schedule M-1.0 is \$4.04 per month. SEC is proposing a monthly Horsepower Charge of \$1.05 per month, well below the cost of service.

The proposed kWh Charge includes purchased power capacity, energy and the remaining portion of the SEC fixed costs not recovered through the fixed billing charges. The Energy Charge remains unchanged.

For the Load Management Class, the COSS identifies the unbundled cost components as shown on Schedule M-1.0.

The COSS indicates the monthly customer-related fixed cost is \$2,610.57. The System Charge was increased from \$500 to \$600. The proposed System Charge represents 0.60% of the average monthly total retail bill.

The Demand Charge was increased from \$15.00 to \$17.50. This represents a full cost recovery of the purchased power capacity allocated to the Load Management Class.

		Supplemental Direct Testimony of Justin W. Proctor; Case No. 18-00383-UT
1		The proposed Energy Charge includes energy and the remaining portion of
2		the SEC fixed costs not recovered through the fixed billing charges. The Energy
3		Charge was increased from \$0.073000 to \$0.079202, and was set to produce the
4		revenue targeted in the rate change.
5	Q.	FOR EACH AFFECTED RATE CLASS, CAN YOU STATE THE
6		AMOUNT OF kWh, kW (IF APPLICABLE), AND kVa (IF APPLICABLE)
7		USED BY AN AVERAGE-USE CUSTOMER IN A MONTH, AVERAGED
8		OVER A YEAR?
9	A.	Yes. Exhibit 3 provides the billing by rate component for the average consumer
10		under the existing and proposed rates.
11	Q.	FOR EACH AFFECTED RATE CLASS, CAN YOU STATE, FOR AN
12		AVERAGE-USE CUSTOMER, THE AVERAGE MONTHLY BILL
13		UNDER SEC'S CURRENT RATES AND PROPOSED RATES, BROKEN
14		DOWN BY CHARGE?
15	A.	Yes. Exhibit 3 provides the billing by rate component for the average consumer
16		under the existing and proposed rates.
17	Q.	FOR EACH AFFECTED RATE CLASS, CAN YOU STATE, FOR AN
18		AVERAGE-USE CUSTOMER, THE PERCENTAGE INCREASE OR

		Supplemental Direct Testimony of Justin W. Proctor; Case No. 18-00383-U1
1		DECREASE IN THE AVERAGE MONTHLY BILL UNDER SEC'S
2		PROPOSED RATES?
3	A.	Yes. Exhibit 3 provides the billing by rate component for the average consumer
4		under the existing and proposed rates.
5	Q.	FOR EACH AFFECTED RATE CLASS, CAN YOU STATE, FOR AN
6		AVERAGE-USE CUSTOMER, THE DOLLAR INCREASE OR
7		DECREASE IN THE AVERAGE MONTHLY BILL UNDER SEC'S
8		PROPOSED RATES?
9	A.	Yes. Exhibit 3 provides the billing by rate component for the average consumer
10		under the existing and proposed rates.
11	Q.	CAN YOU EXPLAIN WHY SEC PROPOSES TO DECREASE THE
12		LARGE POWER SERVICE NCP DEMAND CHARGE?
13	A.	Yes. The existing Large Power Service Class (Large Commercial) rate design has
14		an NCP kW Demand Charge which is intended to recover costs related to both
15		purchased power capacity and distribution wires capacity. The proposed rate is an
16		Hours-Use rate design. The Hours-Use rate recovers the purchased power
17		capacity-related costs in the energy blocks based on each consumer's monthly
18		NCP demand. The Demand Charge recovers SEC's distribution demand-related
19		costs. The reduction in the proposed Demand Charge reflects the separation of the

		Supplemental Direct Testimony of Justin W. Proctor; Case No. 18-00383-UT
1		power supply and distribution capacity cost recovery into separate billing
2		components in the rate design.
3	Q.	REGARDING PAGE 11, PARA. 18(a) OF SEC'S OBJECTIONS TO RATE
4		PROTESTS, CAN YOU IDENTIFY THE TYPES OF CUSTOMERS BY
5		CLASS AND kWh, kW or kVA USE FOR WHOM THE PROPOSED RATE
6		CHANGES WILL RESULT IN RATE OR BILL DECREASES?
7	A.	Yes. Section O of the COSS includes billing comparisons for each rate class at
8		representative consumption level.
9		Regarding Residential, the increase in the fixed cost recovery made
10		possible by the increase in the System Charge reduces the amount of the rate
11		change produced through the increase in the Energy Charge. Residential
12		consumers using more than 1,220 kWh in a month will result in a bill decrease
13		compared to existing rates.
14		Regarding Small Commercial, the increase in the fixed cost recovery
15		made possible by the increase in the System Charge reduces the amount of the
16		rate change produced through the increase in the Energy Charge. Small
17		commercial consumers using more than 6,700 kWh in a month will result in a bil
18		decrease compared to existing rates.

Supplemental Direct Testimony of Justin W. Proctor; Case No. 18-00383-UT

Q.

A.

As to Large Commercial, the change in the Large Commercial rate structure results in varying types of consumers whose monthly bill will decrease when compared to the existing rate. The monthly bill of customers whose load factors are approximately 15% or less will be lower when compared to existing rates. The monthly bill of customers whose load factors are approximately 71% or more will be lower when compared to existing rates. Schedule O-5.0 depicts the type of consumers who will receive decreases and increases under the proposed rates.

As to Irrigation, all consumers within the Irrigation rate class will incur a rate increase. As to Load Management, there is only one consumer on the Load Management rate and the proposed increase is 3.36%

REGARDING PAGE 11, PARA. 18 (a) OF SEC'S OBJECTIONS TO RATE PROTESTS, CAN YOU JUSTIFY THE RATE OR BILL DECREASES FOR SUCH CUSTOMERS?

Yes. The proposed rate designs are fairer and more equitable as they reduce the level of intra-class subsidy that currently exists between low use and high use consumers. The proposed increase in each rate class' fixed cost recovery resulting from the increase in the System Charge results in less cost recovery in the rate

Supplemental Direct Testimony of Justin W. Proctor; Case No. 18-00383-UT design attributed to the volumetric energy sales. The proposed rate designs are more closely aligned with how SEC's costs are incurred.

Q.

For individual customers within each rate class, each consumer's contribution to the recovery of fixed costs is more appropriately set based on the cost of providing service. As a result, zero or low consumption customers are not subsidized as much as in the existing rates and high consumption customers are not providing as much of a rate subsidy.

For the Large Commercial rate, the restructured rate more appropriately recovers costs as costs are incurred. The existing rate, regardless of load factor, imputes a \$15.00 per NCP kW Demand Charge once a customer has established a monthly demand. The proposed rate design recovers the fixed purchased power capacity-related costs based on load factor. Low load factor customers who are less likely to contribute to the wholesale power suppliers' peak are not billed for a cost they likely did not cause to be incurred. High load factor consumers may pay less since the capacity related costs are mostly included in the first two energy blocks of the hours-use rate and all excess energy is billed at a rate that more closely reflects the cost of energy and fuel.

CAN YOU JUSTIFY SEC'S PROPOSAL TO INCREASE THE SYSTEM CHARGE FROM \$0 to \$10 FOR THE IRRIGATION SERVICE CLASS?

Supplemental Direct Testimony of Justin W. Proctor; Case No. 18-00383-UT Yes. The existing Irrigation Service Class does not include a monthly System 1 A. 2 Charge. The only fixed charge is a Horsepower Charge that is \$10.00 per 3 horsepower and is assessed in January each year. The COSS indicates the monthly fixed cost of providing service for the Irrigation Service is \$55.23 per 4 month. In keeping with gradualism, the SEC Board of Trustees approved a rate 5 6 design that includes a small, monthly System Charge. The \$10.00 System Charge 7 per month is the lowest of any rate class.

8 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

9 A. Yes, it does.

VERIFICATION

STATE OF OKLAHOMA)	
) SS	
COUNTY OF OKLAHOMA)	

Before me, this undersigned notary public, personally appeared Justin W. Proctor, who being by me first duly sworn upon oath, deposes and says that the foregoing prepared Supplemental Direct Testimony is true and correct to the best of his knowledge and belief.

Justin W. Proctor

SUBSCRIBED AND SWORN before me this 22nd day of March, 2019, by Justin W. Proctor.

TRACY NEAL

Notary Public
State of Oklahoma

Commission # 05010885 Expires 11/30/21

Notary Public

My Commission Expires: 11/30/102/

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE FILING)	,
OF ADVICE NOTICE NO. 69)	
BY SOCORRO ELECTRIC)	
COOPERATIVE, INC.)	
)	Case No. 18-00383-UT
SOCORRO ELECTRIC)	
COOPERATIVE, INC.,)	
)	
Applicant.)	
)	

SUPPLEMENTAL DIRECT TESTIMONY

OF

JOSEPH HERRERA

ON BEHALF OF

THE SOCORRO ELECTRIC COOPERATIVE, INC.

March 22, 2019 12:00 p.m.

- 1 Q. STATE YOUR NAME FOR THE RECORD PLEASE.
- 2 A. Joseph Herrera.
- 3 Q. HAVE YOU PREVIOUSLY SUBMITTED PREPARED TESTIMONY IN
- 4 THIS CASE?
- 5 A. Yes. I filed prepared testimony on December 3, 2018 in support of The Socorro
- 6 Electric Cooperative, Inc.'s ("SEC") electric utility rates proposed in SEC's
- 7 Advice Notice No. 69 (SEC's Rate Application).

8 Q. WHAT WAS THE PURPOSE OF THAT TESTIMONY?

- 9 My prepared testimony that was submitted in December of 2018 described the A. 10 circumstances driving the need for the rate relief requested in SEC's Rate Application; explained how SEC's current rate design was no longer viable 11 12 considering the declining kilowatt hour ("kWh") consumption on SEC's system, 13 how ongoing energy efficiencies and SEC's ageing and declining service area 14 population have impacted SEC, and why the rate relief SEC seeks is important in improving SEC's financial health and ensuring SEC continues to meet its mission 15 16 to provide safe and reliable electric utility service at just and reasonable rates for 17 its members.
- 18 Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?

Supplemental Direct Testimony of Jose	nn Herrera:	Case No.	18-00383-	-U1
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- 1 A. The purpose of my supplemental testimony is to address the issues identified for
- 2 hearing in the NMPRC's Hearing Examiner's February 15, 2019 Procedural
- 3 Order and to provide additional evidence demonstrating the rate relief requested
- 4 by SEC is fair, just and reasonable, in the public interest and should be approved
- 5 by the NMPRC.
- 6 Q. HAS SEC SUBMITTED THE COMPLETE COST OF SERVICE STUDY
- 7 PREPARED BY JUSTIN PROCTOR?
- 8 A. Yes. Mr. Proctor's Cost of Service Study (COSS) is attached to his prepared
- 9 supplemental testimony as **Exhibit 1**.
- 10 Q. PLEASE DESCRIBE THE METHOD THAT SEC USED TO CALCULATE
- 11 ITS PROPOSED REVENUE REQUIRMENT.
- 12 A. As a member-owned electric cooperative, SEC's revenue requirement is a
- function of the margins and cash necessary to meet the financial objectives set by
- the Board of Trustees. These financial objectives are set in terms of the equity
- level, the cash general funds level, the capital credit retirement program and the
- 16 coverage ratios required by SEC's lenders. In the policy first established in 1982
- by the Board of Trustees, and last revised in April 2018, the Board of Trustees
- revised a prior policy statement outlining a comprehensive plan establishing
- reasonable equity level goals which take into consideration SEC's contractual

Supplemental Direct Testimony of Joseph Herrera; Case No. 18-00383-UT obligations to its mortgage holders, members' rate impact, the impact of SEC's growth rate upon the goals and the retail rates necessary to achieve them. The proposed revenue requirement was analyzed based on these goals and objective. Attached to my supplemental testimony is **Exhibit 4**, Policy No. 312 Financial Forecast.

The Board of Trustees approved the proposed rate changes which are sufficient to recover the adjusted test year level of expenses and provide margins that achieve the following four objectives:

- Grow equity as a percent of assets toward a 40% objective with projected total system plant additions averaging \$3,713,835 per year over the next five years.
- Maintain SEC's cash position as of the end of the test year at an amount that is approximately \$3.8 million, which equates to 60.09 days of cash or 4.72% of total utility plant in service.
- Provide sufficient cash to fund capital credit retirements of approximately \$688,000 per year.
- Maintain adequate Times Interest Earned Ratios (TIER) and Debt Service
 Coverage Ratios (DSC).

The financial analysis indicates the proposed revenue requirement will allow SEC to move toward the objectives set forth by the Board (Schedule D-8.0 of the COSS). Supporting documents include:

- Schedule D-2.0 of the COSS which shows the system capitalization and the equity as a percent of assets for the test year and the previous five years. The equity as a percent of assets was 29.58% in 2012 and was 37.53% at the end of the test year. The financial objective of the SEC Board is to grow the equity toward a level of 40%.
- Schedule D-1.0 which shows the historical and projected plant additions.

 The plant additions for the next five years are projected to average \$3,713,835 per year.
- Schedule D-4.0 which shows the capital credits retired since 2007. Due to the financial condition, SEC has not been able to maintain a regular General retirement of capital credits. The Board's objective is to establish rates that provide sufficient cash to allow for a meaningful rotation of patronage capital on an annual basis. To that end, the revenue requirement includes \$688,467 per year of capital credit retirements which is projected to produce a rotation cycle of roughly 25 years.

- Schedule D-7.0 which shows the calculation of desired general funds. The major components making up the annual operating general funds required total \$23,368,279 for the test year. The general fund at the end of the test year was \$3,847,316 which was equivalent to 60.09 days of cash and 4.72% of plant. SEC believes that this level of operating cash general funds is sufficient, being equal to almost two full months of operating general funds needed. Therefore, SEC has not included any additional revenue in the revenue requirement calculation to increase cash general funds.
 - Schedule D-8.0 is the development of the cash revenue requirement based on SEC's objectives. The right side of the schedule reflects that the cash general funds required is equal to the current level of general funds therefore no additional revenue is needed for this component of the cash requirement. The left side of the schedule shows the equity objective of 37.73% applied to the average annual plant additions for the next five years which produces a \$1,401,230 cash funding requirement. Also shown on the left side of the schedule is the \$688,467 cash requirement for capital credit payments and a cash requirement of \$2,702,514 for principal payments on long-term debt. The total annual cash requirement for all

components is \$4,792,211. The total annual cash produced from current operations under existing rates is equal to \$3,542,179 which is the sum of the operating margins of \$409,655 (Schedule A-1.0) and Depreciation Expense of \$2,396,141 and Interest Income and Cash Capital Credits of \$736,383. The total additional cash required of \$1,250,032 is equal to the total cash requirement of \$4,792,211 less the cash produced from existing operations of \$3,542,179.

To test the reasonableness of the proposed revenue requirement, Mr. Proctor developed a Ten-Year Financial Forecast modeling SEC's current and anticipated operating conditions (Section E - Ratio Summary, COSS). The forecast projects growth in consumers, expenses and needed investment in system improvements. The forecast assists SEC staff and Board in determining SEC's revenue requirement based on SEC's financial goals and objectives. The forecast also establishes how long the proposed rates will satisfy the Board defined financial goals and objectives before additional rate revenue is required. Furthermore, the forecast provided a means for SEC to evaluate and/or reconsider its Board defined financial goals and objectives and modify them in order to mitigate the rate impact on members.

1 REGARDING YOUR DIRECT TESTIMONY AT PAGE 5, LINES 8-9, Q. 2 CAN YOU DESCRIBE SEC'S FINANCIAL LOAN COVENANTS' 3 CONDITION REQUIREMENTS WITH RUS/FFB AND COBANK? SEC's financial covenants for Rural Utilities Service (RUS)/Federal Financing 4 A. 5 Bank (FFB) are as follows: "The Borrower [SEC] shall design and implement 6 rates for utility service furnished by it to provide sufficient revenue, to pay all 7 fixed and variable expenses when and as due, to provide and maintain reasonable 8 working capital and to maintain on an annual basis, the Coverage Ratios. In 9 designing and implementing rates under this paragraph, such rates should be 10 capable of producing at least enough revenue to meet the requirements of this 11 paragraph under the assumption that average weather conditions in the 12 Borrower's service territory shall prevail in the future, including average Utility 13 System damage and outages due to weather and the related costs." I note that this quote is from Section 5.4(a) of the document titled RUS Loan Contract. An 14 15 agreement between The Socorro Electric Cooperative, Inc. and The United States 16 of America, Dated Feb 1, 2011.

The minimum coverage ratios required of distribution borrowers whether applied on an annual or average basis are TIER of 1.25, DSC of 1.25, Operating

17

18

Supplemental Direct Testimony of Joseph Herrera; Case No. 18-00383-UT

Times Interest Earned Ratio (OTIER) of 1.10, and Operating Debt Service

Coverage (ODSC) of 1.10.

CoBank's financial covenants for SEC are as follows: "The Borrower [SEC] and its consolidated subsidiaries, if any, will have at the end of each fiscal year of the Borrower, a DSC Ratio for such year of not less than 1.25 to 1.00. Such ratio will be determined by averaging the two highest annual ratios achieved by the Borrower during the most recent three fiscal years. For purposes hereof, the term "Debt Service Coverage Ratio" meaning the ratio of (a) net income (after taxes, and after eliminating any gain or loss on sale of assets or other extraordinary gain or loss), plus depreciation expense, amortization expense and interest expense, minus non-cash patronage, and non-cash income from subsidiaries and/or joint ventures; to (b) all principal payments due within the period on all Long-Term Debt plus interest expense..." I note that this quote is from Section 7.1 of the document titled Exhibit A to Promissory Note No. 00078794T03.

16 Q. WHAT ARE SEC'S CURRENT AND 2017 ACTUAL FINANCIAL 17 COVERAGE RATIOS?

A. As of December 31, 2018, using unaudited financials, SEC's current coverage ratios are: TIER of 1.96, DSC of 1.40, OTIER of 1.28 and ODSC of 1.13. For

Supplemental Direct Testimony of Joseph Herrera; Case No. 18-00383-UT

- 1 2017, SEC's financial coverage ratios were as follows: TIER of 1.87, DSC of
- 2 1.39, OTIER of 1.21 and ODSC of 1.07.
- 3 Q. REGARDING THE NOTICE TO RATEPAYERS PUBLISHED IN
- 4 ENCHANTMENT, CAN YOU PROVIDE EVIDENCE THAT SUPPORTS
- 5 THE ASSERTION THAT "THE CURRENT RATE DESIGN DOES
- 6 NOT...MEET FINANICAL MINIMUMS NECESSARY TO ENABLE SEC
- 7 TO BORROW MONEY AT LOW INTEREST RATES FOR MEMBER
- 8 EXTENSIONS OR SYSTEM IMPROVEMENTS?"
- 9 A. Yes. When drafting the Notice, SEC used the 2019 budget and the COSS to
- gauge where its ratios would be with no change in rates or rate design. SEC's
- 11 2019 budget shows that with the current rate design, our DSC and ODSC fall
- below the required loan covenant minimums of our existing lenders, RUS, FFB
- and CoBank. In comparing the 2019 Budgeted Ratios with 2017 Actuals, we
- identified a pattern with the ODSC falling below the required minimums. The
- continued use of the current rate design does not guarantee enough revenue for
- SEC to meet the requirements set by our lenders, and thus impacts SEC's ability
- to borrow money at low interest rates for items such as member extensions or
- 18 system improvements.

19

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

Supplemental Direct Testimony of Joseph Herrera; Case No. 18-00383-UT

1 A. Yes, it does.

Supplemental Direct Testimony of Joseph Herrera; Case No. 18-00383-UT

VERIFICATION

STATE OF NEW MEXICO)
) ss
COUNTY OF SOCORRO)

Before me, this undersigned notary public, personally appeared Joseph Herrera, who being by me first duly sworn upon oath, deposes and says that the foregoing prepared Supplemental Direct Testimony is true and correct to the best of his knowledge and belief.

Joseph Herrera

SUBSCRIBED AND SWORN before me this 22nd day of March, 2019, by Joseph Herrera.

Official Seal
CHRISTIE GRIEGO
Notary Public
State of New Mexico
My Commission Expires

Notary Public

My Commission Expires: 47/2021

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE FILING)	
OF ADVICE NOTICE NO. 69)	
BY SOCORRO ELECTRIC)	
COOPERATIVE, INC.)	
)	Case No. 18-00383-UT
SOCORRO ELECTRIC)	
COOPERATIVE, INC.,)	
)	
Applicant.)	

DIRECT TESTIMONY

OF

RONNITA "RAUNI" MONTOYA

ON BEHALF OF

THE SOCORRO ELECTRIC COOPERATIVE, INC.

March 22, 2019 12:00 p.m.

Direct Testimony of Ronnita "Rauni" Montoya; Case No. 18-00383-U	D	irect	Testimony	of Ronnita	"Rauni"	Montova:	Case No.	18-00383	-U	Ŋ
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- 1 Q. STATE YOUR NAME FOR THE RECORD PLEASE.
- 2 A. Ronnita "Rauni" Montoya.
- 3 Q. HAVE YOU PREVIOUSLY SUBMITTED PREPARED TESTIMONY IN
- 4 THIS CASE?
- 5 A. No.
- 6 Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?
- 7 A. I am employed by SEC as its Accounting Supervisor.
- 8 Q. HOW LONG HAVE YOU BEEN IN THE POSITION OF ACCOUNTING
- 9 **SUPERVISOR FOR SEC?**
- 10 A. I have been employed by SEC since May 2003. I have held multiple positions
- since starting and have been the Accounting Supervisor for about 2.5 years.
- 12 Q. CAN YOU BRIEFLY DESCRIBE YOUR EDUCATIONAL
- 13 **BACKGROUND**?
- 14 A. I graduated with my Bachelor's degree in General Business from NM State
- University in 2013.
- 16 Q. PLEASE DESCRIBE YOUR DUTIES AND RESPONSIBILITIES AS THE
- 17 ACCOUNTING SUPERVISOR.

Direct Testimony of Ronnita "Rauni" Montoya; Case No. 18-00383-UT

- A. As the Accounting Supervisor, my main duties are directing and supervising the accounting staff, preparing monthly and annual financial statements and maintaining associated reconciliations and schedules.
- 4 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?
- 5 A. The purpose of my testimony is to supplement the testimony previously submitted
 6 by The Socorro Electric Cooperative, Inc. ("SEC") and to address the issues
 7 identified for hearing in the NMPRC's Hearing Examiner's February 15, 2019
 8 Procedural Order and to provide additional evidence demonstrating the rate relief
 9 requested by SEC is fair, just and reasonable, in the public interest and should be
 10 approved by the NMPRC.
- 11 Q. HAS SEC HAD A RESÍDENTIAL SERVICE CLASS AND, IF NOT, WHY
 12 IS IT PROPOSING ONE NOW?
- 13 A. SEC currently provides residential service under an existing General Service (GS)
 14 tariff, specifically, General Service (GS) Rate No. 1, filed with the NMPRC in
 15 February 2011, which includes separate system charges for residential and
 16 commercial consumers. SEC is proposing tariff revisions which will separate
 17 residential consumers from the GS tariff. The proposed Residential Service Class
 18 tariff will only be available to residential homes, dwelling units, individually
 19 metered apartments and domestic water wells, requiring less than 50 kVa of

		Direct Testimony of Ronnita "Rauni" Montoya; Case No. 18-00383-U1
1		transformer capacity. The primary goal of this tariff revision is to clarify the
2		character of service and differentiate between residential service and other general
3		services.
4		Having two classes of service with distinct usage characteristics, such as
5		Commercial and Residential, within one tariff makes it difficult to determine who
6		qualifies as a Residential versus a Commercial consumer. By separating the two
7		classes of service SEC can better apply the allocated costs to each class within the
8		tariffs and comply with 17.1.210.10 (B)(2).
9	Q.	WHY DID SEC NOT STATE, IN SEC'S PROPOSED RATES THAT
10		INCLUDE A MINIMUM USE CHARGE, THE MONTHLY USE BELOW
11		WHICH THE MINIMUM CHARGE APPLIES?
12	A.	SEC did not state the monthly use below which the minimum charge applies to
13		avoid confusion regarding the application of the charge and the perception that the
14		minimum may include free energy (kWh).
15	Q.	REGARDING ORIGINAL RATE NOS. 8 AND 9, CAN YOU DESCRIBE
16		AN "ELECTRIC THERMAL STORAGE" OR "ENERGY THERMAL
17		STORAGE" HEATER?

		Direct Testimony of Ronnita "Rauni" Montoya; Case No. 18-00383-UT
1	A.	Yes. An Electric Thermal Storage (ETS) or "energy thermal storage" heater is a
2		device that heats ceramic bricks contained within the unit during "off-peak"
3		periods.
4	Q.	REGARDING ORIGINAL RATE NOS. 8 AND 9, CAN YOU STATE HOW
5		MANY CUSTOMERS SEC ESTIMATES WILL RECEIVE SERVICE
6		UNDER EACH RATE IF APPROVED?
7	A.	Yes. During the test year, under existing Rate No. 15, SEC had an average of 164
8		customers on the Residential Energy Thermal Storage rate and 11 customers on
9		the Commercial Energy Thermal Storage rate.
10	Q.	REGARDING ORIGINAL RATE NOS. 8 AND 9, CAN YOU EXPLAIN
11		WHY SEC IS PROPOSING THESE NEW RATES?
12	A.	Yes. SEC is defining Residential Service and General Service under the proposed
13		tariffs. The Energy Thermal Storage consumers also need to be separated using
14		those same definitions. The existing Energy Thermal Storage Rate No. 15 does
15		not allow for the separation of classes served. Having one tariff makes it difficult
16		to separate the cost to serve each class. From an administrative standpoint, SEC
17		also needed a way to clearly define the availability of each tariff by defining the
18		class of service.

Direct Testimony of Ronnita "Rauni" Montoya; Case No. 18-00383-UT

By separating the two classes of service, SEC can apply the allocated costs to each within the tariffs and comply with 17.1.210.10 (B)(2) which states "Class of Service, such as residential, commercial, industrial, etc, with each class of service in a separate rate on separate pages".

For simplicity, housekeeping and administrative reasons, SEC chose to create two new tariffs, as opposed to creating just one new one, and revising the existing Rate No. 15.

8 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

9 A. Yes, it does.

VERIFICATION

STATE OF NEW MEXICO)
) ss
COUNTY OF SOCORRO)

Before me, this undersigned notary public, personally appeared Ronnita "Rauni" Montoya, who being by me first duly sworn upon oath, deposes and says that the foregoing prepared Supplemental Direct Testimony is true and correct to the best of her knowledge and belief.

Ronnita "Rauni" Montoya

SUBSCRIBED AND SWORN before me this 22nd day of March, 2019, by Ronnita "Rauni" Montoya.

Notary Public

My Commission Expires: 07 23 2021

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE FILING OF)	
ADVICE NOTICE NO. 69 BY SOCORRO)	
ELECTRIC COOPERATIVE, INC.)	Case No. 18-00383-UT
)	
SOCORRO ELECTRIC COOPERATIVE,)	
INC., APPLICANT	_)	

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of (1) Supplemental Direct Testimony of Justin W. Proctor C. H. Guernsey & Company on Behalf of the Socorro Electric Cooperative, Inc.; (2) Supplemental Direct Testimony of Joseph Herrera on Behalf of the Socorro Electric Cooperative, Inc.; (3) Direct Testimony of Ronnita "Rauni" Montoya on Behalf of the Socorro Electric Cooperative, Inc. and (4) this Certificate of Service were served on March 22, 2019, as indicated below, to the following:

Via Email to:

SEC:		Catherine Stewart Roache	csr1938@sdc.c
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Ed Reyes	Edwin.reyes.jr@comcast.ne
Larry Blank, Ph.D.	lb@tahoeconomics.com;

Additional Intervenors:

Mark K. Adams	
Don and Rita Steinnerd	

Protestors:

Mayor Ravi Bhasker Donald Monette Leopoldo Pineda, Jr. Rudy L. Chavez Carl Lukesh Stephanie Saavedra Arthur P. Gonzales Abran Baca, Jr. Isacc Angel Deanne Aragon

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[/]Lorna M. Wiggins Patricia G. Williams

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